

Comstock Public Schools



Basic Financial Statements and Supplementary Information

Year Ended June 30, 2008

Comstock Public Schools

Organization

Board of Education

Ms. Gerielle Waltz-Stewart	President
Mr. Gary Thomas	Vice President
Mr. Larry Foster-Goodrich	Trustee
Dr. Richard Hathaway	Trustee
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Mr. Richard Taylor	Trustee
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Mr. Todd Mora	Treasurer
Ms. Faye Goldner	Secretary

Administrative Staff

Dr. David Hutton	Superintendent
Dr. Sandra Standish	Assistant Superintendent

Comstock Public Schools

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Accountants and Consultants

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Independent Auditors' Report

Board of Education
Comstock Public Schools
Comstock, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Comstock Public Schools (the District), as of and for the year ended June 30, 2008, which collectively comprise the District's basic financial statements, as listed in the accompanying table of contents. These financial statements are the responsibility of the management of the District. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of June 30, 2008, and the respective changes in financial position thereof, and the respective budgetary comparison for the General Fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.



In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2008, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Management's Discussion and Analysis on Pages 6 through 16 is not a required part of the financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The Combining and Individual Fund Statements and Schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

BDO Seidman, LLP

Certified Public Accountants

October 23, 2008

Comstock Public Schools

Management's Discussion and Analysis

This section of the Comstock Public Schools (the District's) annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2008.

2007-08 Financial Highlights

1. Total net assets for the District increased \$1,004,410. The net deficit of the District decreased from (\$4,381,381) to (\$3,376,971) or approximately 23%. This was primarily the result of paying down long-term debt and the addition of capital assets through the use of sinking fund proceeds.
2. Overall, revenues decreased district wide by almost 1%. For 2007-08, total revenues were \$25.9 million versus \$26.2 million for 2006-07. The major downward force on revenues continues to be the districts declining enrollment.
3. The District's total district-wide expenditures decreased \$1.055 million. This reduction represented a 4.0% drop.
4. The District's enrollment continued to drop. The blended count for 2007-08 was 2,413.66 full time equivalent (FTE) students versus 2,614.97 FTE for 2006-07. This is the second consecutive year of enrollment decreases of greater than 200 student FTE.
5. The voters of the District approved a two year 1.45 mill (one mill generates \$1 of revenue for every \$1,000 of taxable value) athletics sinking fund to renovate the District's athletic stadium and field. Revenues from the athletics sinking fund millage are projected to be \$1.45 million over the two years.
6. The District's long-term debt obligations increased 19% from \$17.2 million in 2006-07 to \$20.5 million in 2007-08. This increase was the result of the District's decision to issue general obligation limited tax bonds against the District's general and athletic sinking funds. The bonds were issued to advance capital replacement projects in the District's educational and athletic facilities. Without the sinking fund borrowing, the District's total long-term debt obligations dropped \$2.1 million or approximately 12%.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and supplementary information. The basic financial statements include two types of statements presenting different views of the District:

The first two statements are *district-wide financial statements* providing both *short-term* and *long-term* information regarding the District's *overall* financial status.

The remaining statements are *fund financial statements* focusing on *individual parts* of the District, reporting the District's operations *in more detail* than the District-wide statements.

Comstock Public Schools

Management's Discussion and Analysis (Continued)

The *governmental fund statements* tell how *basic* services such as regular and special education were financed in the *short-term* as well as what remains for future spending.

Fiduciary fund statements provide information regarding the financial relationships in which the District acts solely as a *trustee or agent* for the benefit of others.

The financial statements also include *notes* explaining the information in the statements and providing detailed data. The statements are followed by a section of *supplementary information* that further explains and supports the financial statements.

Major Features of the District-Wide and Fund Financial Statements

	District-Wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies.
Required financial statements	- Statement of Net Assets - Statement of Activities	- Balance Sheet - Statement of Revenues, Expenditures, and Changes in Fund Balances	- Statement of Fiduciary Net Assets - Statement of Changes in Fiduciary Net Assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term.	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included.	All assets and liabilities, both short-term and long-term. The District's funds do not currently contain capital assets, although they can.
Type of inflow/outflow information	All revenues and expenses during the year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable.	All additions and deductions during the year, regardless of when cash is received or paid.

Comstock Public Schools

Management's Discussion and Analysis (Continued)

The table above summarizes the major features of the District's financial statements, including the portion of the District's activities covered and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

District-Wide Financial Statements

The District-wide statements report information regarding the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash was received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets (the difference between the District's assets and liabilities) are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, additional nonfinancial factors such as changes in the District's property tax base and the condition of school buildings and other facilities should be taken into consideration.

In the District-wide financial statements, the District's activities include:

- *Governmental activities* – Most of the District's basic services are included here such as regular and special education, transportation, and administration. Property taxes and state formula aid finance most of these activities.

Fund Financial Statements

The fund financial statements provide detailed information regarding the District's *funds*, focusing on its most significant or "major" funds--not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.

Comstock Public Schools

Management's Discussion and Analysis (Continued)

- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show it is properly using certain revenues (such as school lunch and athletics).

The District has two types of funds:

- *Governmental Funds* – Most of the District's basic services are included in governmental funds, which generally focus on (1) how *cash and other financial assets* can readily be converted to cash flow in and out and (2) the balances remaining at year-end that are available for spending.

Consequently, the governmental fund statements provide a detailed *short-term* view that determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, we provide additional information with the governmental fund statements explaining the relationship (or differences) between them.

- *Fiduciary Funds* – The District is the trustee, or *fiduciary*, for assets belonging to others such as the scholarship fund and the student activities funds. The District is responsible for ensuring the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the District-wide financial statements because the District cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Net Assets

1. The District's overall financial health, as represented by net assets (deficit), improved in 2007-08. The District's net deficit was reduced by almost \$1.0 million. The District's net assets (deficit) were (\$3,376,971) for 2007-08 versus a net deficit of almost \$4.4 million in 2006-07.
2. The District's capital assets continued to increase in 2007-08. The District saw a rise of \$1,266,619 in net capital assets after depreciation. The 2007-08 increase in capital assets represents a 15.3% increase from 2006-07. The increase in capital assets is the result of a concerted district effort to address facility and equipment needs.

Comstock Public Schools

Management's Discussion and Analysis (Continued)

3. The District's current assets increased almost 40% or \$3.5 million. This increase is directly related to the proceeds from the borrowing against future sinking fund millage collections. Correspondingly, current and long-term liabilities have increased to reflect the debt obligations for the borrowings.
4. District-wide revenues decreased approximately 1% or (\$234,985). The District was able to add to total net assets by reducing total district-wide expenditures by 4% or by approximately \$1.1 million.

Comstock Public Schools – Net Assets

<i>June 30,</i>	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
Assets:		
Current assets	\$ 12,428,152	\$ 8,904,443
Capital assets	9,545,538	8,278,919
Total Assets	21,973,690	17,183,362
Liabilities:		
Current liabilities	8,124,777	6,940,303
Noncurrent liabilities	17,225,884	14,624,440
Total Liabilities	25,350,661	21,564,743
Net Assets (Deficit):		
Invested in capital assets - net of related debt	(10,935,026)	(7,932,407)
Restricted	534,802	795,787
Unrestricted	7,023,253	2,755,239
Total Deficit	\$ (3,376,971)	\$ (4,381,381)

Comstock Public Schools

Management's Discussion and Analysis (Continued)

Comstock Public Schools – Changes in Net Assets

<i>Year ended June 30,</i>	<i>Governmental Activities</i>	
	<i>2008</i>	<i>2007</i>
Revenues:		
Program revenue:		
Charges for services	\$ 637,800	\$ 596,360
Federal grants and entitlements	4,561,603	4,780,695
General revenue:		
Property taxes	7,954,367	6,879,243
State foundation allowance	12,495,360	13,514,748
Other	276,045	383,114
Total Revenues	25,925,175	26,154,160
Functions/Program Expenses:		
Instruction	12,866,544	14,137,165
Support services	8,507,598	8,840,022
Community services	87,349	11,001
Food services	792,743	780,966
Athletics	499,784	453,940
Capital projects	530,644	138,004
Interest on long-term debt	941,107	899,966
Other	14,882	156,287
Unallocated depreciation	680,114	559,351
Total Expenses	24,920,765	25,976,702
Increase in Net Assets	1,004,410	177,458
Deficit, beginning of year	(4,381,381)	(4,558,839)
Deficit, end of year	\$ (3,376,971)	\$ (4,381,381)

District Governmental Activities

Michigan has been in an economic downturn for the majority of the 21st century. The state continues to lose manufacturing employment at an unprecedented rate. The state's real GDP fell by 1.2% in 2007 according to the Commerce Department. As of 2007, the state has seen four years of economic recession according to Mr. Dana Johnson, Chief Economist, Comerica Bank.

Comstock Public Schools

Management's Discussion and Analysis (Continued)

The District receives a majority of its funding through the state via the per pupil foundation grant (PPFG). This is the amount the District receives per blended FTE. The ability of the state to fund and increase the PPFG is dependent on the economic growth in the state. The District received a \$96 increase in the PPFG for 2007-08 fiscal year or a 1.35% increase. This increase was significantly less than the 5.0% increase in the national consumer price index (CPI) for the same 12-month period.

The District continued to experience a reduction in enrollment during the 2007-08 fiscal year. The table below shows the District's last five years of enrollment declines:

<i>Year</i>	<i>Full Time Equivalent</i>	<i>Full Time Equivalent Change</i>	<i>Percent Change</i>
2004-2005	2,865	(19)	-0.66%
2005-2006	2,822	(43)	-1.50%
2006-2007	2,615	(207)	-7.34%
2007-2008	2,414	(201)	-7.69%
2008-2009	2,296	(118)	-4.89%

Financial Analysis of the District's Funds

- The District experienced a fund balance liquidation of 4.09% or (\$85,760) during the 2007-08 fiscal year. The District ended the year with a General Fund balance of \$2.0 million which represented 8.8% of total expenditures and outgoing transfers. The District was able to reduce the fund balance liquidation from the previous year by 80%. The District has adopted a balance budget for the 2008-09 fiscal year.
- The District's General Fund revenues decreased by 5.56% or approximately \$1.3 million. This reduction in revenues is directly correlated to the loss of enrollment.
- The District's General Fund expenditures decreased by 7.01% or approximately \$1.7 million. The District has been aggressively reducing personnel and other costs as revenues have been projected to decrease.
- The District's total personnel costs for 2007-08 decreased by 6.99% or approximately \$1.4 million when compared to fiscal 2006-07. However, when personnel costs are viewed on a per pupil FTE basis, the District experienced an increase in costs. The net personnel cost on a per pupil basis was \$7,821.44 in 2007-08 versus \$7,762.80 for 2006-07.

Comstock Public Schools

Management's Discussion and Analysis (Continued)

- The District did see a net reduction in employee benefit costs on total and per pupil basis in 2007-08. The total costs went down by \$630,166 or 9.36% versus fiscal 2006-07. The District was able to effect this reduction by reducing overall staffing and negotiating less costly health insurance plans.
- The District experienced a reduction in instructional costs of 8.99% or \$1.3 million. This is the reduction of instructional staff correlated to the District's loss of enrollment.
- The District also reduced support service costs by approximately 4% or \$357,000. The District's support service costs are much less elastic, as related to pupil enrollment, as are instructional costs. In other words, the District still must drive the same number of miles for pupil transportation and repair and clean the same amount of square footage for 2,615 pupil FTE as we do for 2,414 pupil FTE.
- The District was able to reduce total administrative costs by 3.78% or \$91,163. This was accomplished through attrition in the administrative ranks. The District reduced one administrative position for the 2007-08 fiscal year.
- The District's food service fund saw modest growth in both revenues and expenditures, 1.69% and 1.42%, respectively. The modest growth in total revenues and transfers in enable the food service fund to maintain a fund balance of 15% of total expenditures and transfers out. Considering the 5% drop in pupil enrollment and the increasing percentage of students who qualify for free and reduced meals, the food service program performed exceptionally well in 2007-08.
- The District borrowed again against the future tax collections of the educational facilities and athletic sinking funds. The reason for advancing these projects was to take advantage of favorable construction rates and to address immediate facility needs. In 2007, the board of education was informed that its athletic stadium would no longer be certified for occupancy. The community approved a special sinking fund to build a new stadium and renovate the existing field. The project needed to be completed by fall of 2008 for athletic events to take place, thus, the District borrowed against future tax collections. The board also wanted to address the most critical of the items on the educational facilities sinking fund list which were boilers, roofs, bus drivers, doors and windows, thus, funds were borrowed against this tax revenue stream also.

General Fund Budgetary Highlights

Over the course of the year, the District revised the annual General Fund operating budget for the following items:

- Enrollment changes
- Increases in contractual obligations because of the settlement of collective bargaining agreements
- Staffing changes throughout the year

Comstock Public Schools

Management's Discussion and Analysis (Continued)

Overall, the District experienced a favorable budget variance of \$550,888. The District projected liquidating \$636,648 in fund balance, in actuality, the District's expenditures exceeded revenues by only (\$85,760).

Actual General Fund revenues were within 0.13% of projections. The only area that experienced an unfavorable variance was federal sources, due to actual spending being less than projected.

Actual General Fund expenditures were 2.2% below projections or a favorable variance of \$493,275. This positive variance is due in large part to unfilled personnel vacancies and conservative budget estimates.

Capital Asset and Debt Administration

The District ended fiscal 2008 with capital assets, net of depreciation, increasing by \$1,266,619 from the previous fiscal year. The increase was mostly in the area of building renovations. The District continues to focus on improving educational facilities throughout the District. The District incurred \$677,791 in net depreciation expense. (Detailed information about capital assets can be found in Note 5 of the financial statements.)

Comstock Public Schools – Capital Assets (In millions and net of depreciation)

<i>June 30,</i>	<i>2008</i>	<i>2007</i>
Buildings and improvements	\$ 15.1	\$13.4
Construction-in-progress	0.1	0.2
Buses and other vehicles	2.4	2.1
Furniture and equipment	2.6	2.6
	20.2	18.3
Less accumulated depreciation	10.7	10.0
Net Capital Assets	\$ 9.5	\$ 8.3

Long-Term Debt

The District continued to pay down on its long-term debt; however, the District did issue tax anticipation notes against the Athletics and Educational Facilities sinking funds. The issuance of the notes raised the total amount of debt outstanding to \$20.5 million. (Detailed information regarding the District's long-term liabilities is presented in Note 7 to the financial statements.)

Comstock Public Schools

Management's Discussion and Analysis (Continued)

- The District retired \$1,475,000 of long-term debt during 2007-08 fiscal year.
- The District issued \$5.3 million in general obligation limited tax notes against the voter approved sinking fund millage.
- The District's capital appreciation bonds accrued \$525,973 in additional interest expense.

Comstock Public Schools - Debt (In millions)

<i>June 30,</i>	<i>2008</i>	<i>2007</i>
General obligation bonds	\$ 14.9	\$ 11.1
Other	5.6	6.1
	<u>\$ 20.5</u>	<u>\$ 17.2</u>

Factors Bearing on the District's Future

At the time that these financial statements were prepared and audited, the District was aware of three existing circumstances that could significantly affect its financial health in the future:

- The District continues to experience declining enrollment. The preliminary pupil full time equivalency (FTE) count for the fall of 2008 is 2,290 pupil FTEs. This is down 100 pupil FTEs from the fall 2007 count. The blended count for the 2007-08 fiscal year was 2,414 FTEs. Based on the preliminary fall 2008 count, the blended count for 2008-09 will be 2,305. This is down 109 pupil FTEs from 2007-08 blended count.
- The District is projected to have continued enrollment decline into the near future (three to five years). The District uses one of two state approved enrollment forecasting agencies for its enrollment forecasts. The District has its enrollment forecasts updated every year as part of its budgeting process.
- The continued malaise of the Michigan economy and its impact on state and local tax revenues does not bode well for the District's future financial condition. Ten years ago, Michigan ranked 16th in the United States based on per capita GDP. In 2007, Michigan had fallen to 36th. This drop in per capita GDP has translated into a significant downward pressure on personal income and correspondingly income tax revenues.

Comstock Public Schools

Management's Discussion and Analysis (Concluded)

The additional drain that the home mortgage meltdown is placing on property taxes is making it difficult for the state to fully fund projected state school aid commitments to local districts. Currently, there are a significant number of homes that have been foreclosed upon within the 49048 zip code area, 679 according to RealtyTrac.com. The convergence of multiple negative economic forces on the national, state, and local fronts will continue to present financial challenges for Comstock Public Schools.

- The continued upward pressure that employee benefits have on the District's budget will require more aggressive management of those costs. The Michigan Public School Employee's Retirement System (MPSERS) has been able to maintain flat to modest increases in the contribution rate over the past couple of years. With the significant drop in the stock market and the losses that the MPSERS investments have sustained, there will be pressure on the MPSERS to raise the rate to cover pension liabilities. Additionally, the health benefits under the MPSERS are not pre-funded and with the baby boom generation beginning to retire at greater and greater numbers, the MPSERS will be faced with rising costs and the choice of cutting benefits or raising the retirement contribution that school districts pay.

The District continues to face increases in health insurance costs that are greater than the rate of inflation or the increases in the per pupil foundation grant. The District will need to actively pursue ways of managing its employee healthcare costs. Overall, healthcare costs represented 13.1% of the District's total 2007-08 expenditures or roughly \$1,238 per pupil.

Collectively, the retirement contribution rate and health insurance premiums will place significant upward pressure on the District's future budgets without the prospective of correspondingly large increases in funding.

Contacting the District's Financial Management

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the funds received. If you have questions about this report or need additional information, contact:

Comstock Public Schools
Business Office
3010 Gull Road
Kalamazoo, Michigan 49048

Comstock Public Schools

District-Wide Financial Statements Statement of Net Assets

<i>June 30, 2008</i>	<i>Governmental Activities</i>
Assets	
Current Assets:	
Cash (Note 3)	\$ 539,686
Investments (Note 3)	8,865,562
Accounts receivable	167,781
Taxes receivable	6,024
Due from other governments	2,658,395
Inventories	33,167
Prepaid expenses	157,537
Total Current Assets	12,428,152
Noncurrent Assets -	
Capital assets, net of accumulated depreciation (Note 5)	9,545,538
Total Assets	21,973,690
Liabilities	
Current Liabilities:	
Checks issued against future deposits	15,348
Accounts payable	123,214
State aid note payable (Note 6)	2,064,400
Accrued payroll	2,460,993
Accrued interest	71,671
Bond premium	30,128
Unearned revenue	134,471
Current portion of long-term obligations (Note 7)	3,224,552
Total Current Liabilities	8,124,777
Non-Current Liabilities - Non-current portion of long-term obligations (Note 7)	17,225,884
Total Liabilities	25,350,661
Net Assets (Deficit):	
Invested in capital assets, net of related debt	(10,935,026)
Restricted for debt service	534,802
Unrestricted	7,023,253
Total Net Deficit	\$ (3,376,971)

See accompanying notes to financial statements.

Comstock Public Schools

District-Wide Financial Statements Statement of Activities

<i>Year ended June 30, 2008</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expense)</i> <i>Revenue and</i> <i>Changes in</i> <i>Net Assets</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Total</i>
Functions/Programs				
Governmental Activities:				
Instruction:				
Basic programs	\$ 9,851,701	\$ -	\$ 193,551	\$ (9,658,150)
Special education	2,054,640	-	2,026,001	(28,639)
Compensatory education	518,728	-	518,728	-
Vocational education	271,977	161,358	47,525	(63,094)
Other instruction	169,498	-	22,766	(146,732)
Support services:				
Student services	1,292,206	-	1,011,648	(280,558)
Instructional staff	826,343	-	571,852	(254,491)
General administrative	957,083	-	2,000	(955,083)
School administration	1,363,966	-	18,159	(1,345,807)
Business office	431,106	-	3,007	(428,099)
Operations and maintenance	2,210,156	45,731	780	(2,163,645)
Student transportation	1,074,505	21,784	18,239	(1,034,482)
Other support services	352,233	-	88,606	(263,627)
Community services	87,349	4,292	38,741	(44,316)
Food service	792,743	284,465	-	(508,278)
Athletics	499,784	120,170	-	(379,614)

See accompanying notes to financial statements.

Comstock Public Schools

District-Wide Financial Statements Statement of Activities (Concluded)

<i>Year ended June 30, 2008</i>	<i>Expenses</i>	<i>Program Revenues</i>		<i>Net (Expense)</i>
		<i>Charges for Services</i>	<i>Operating Grants and Contributions</i>	<i>Revenue and Changes in Net Assets</i>
				<i>Total</i>
Functions/Programs				
Governmental Activities				
(Concluded):				
Capital projects	\$ 530,644	\$ -	\$ -	\$ (530,644)
Interest on long-term debt	941,107	-	-	(941,107)
Other	14,882	-	-	(14,882)
Unallocated depreciation	680,114	-	-	(680,114)
Total School District	\$24,920,765	\$ 637,800	\$ 4,561,603	(19,721,362)

General Revenues:

Property taxes levied for general purposes	5,585,570
Property taxes levied for debt service	2,368,797
Unrestricted state aid	12,495,360
Investment earnings	245,629
Other	30,416

Total General Revenues	20,725,772
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Change in Net Assets (Deficit)	1,004,410
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Net Deficit, beginning of year	(4,381,381)
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Net Deficit, end of year	\$ (3,376,971)
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See accompanying notes to financial statements.

Comstock Public Schools

Governmental Funds Balance Sheet

<i>June 30, 2008</i>	<i>General Fund</i>	<i>2008 LTD - 2006 Capital Projects Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Assets:				
Cash (Note 3)	\$ 56,202	\$ -	\$ 483,484	\$ 539,686
Investments (Note 3)	3,752,322	3,166,680	1,946,560	8,865,562
Receivables:				
Accounts	167,293	-	488	167,781
Taxes	4,750	-	1,274	6,024
Due from other funds (Note 4)	1,589	-	15,300	16,889
Due from other governmental units	2,658,395	-	-	2,658,395
Inventories	5,037	-	28,130	33,167
Prepaid expenditures	110,817	-	46,720	157,537
Total Assets	\$6,756,405	\$ 3,166,680	\$ 2,521,956	\$ 12,445,041
Liabilities and Fund Balances				
Liabilities:				
Checks issued against future deposit	\$ -	\$ -	\$ 15,348	\$ 15,348
Accounts payable	90,475	-	32,739	123,214
Accrued payroll liabilities	2,460,993	-	-	2,460,993
State aid note payable (Note 6)	2,064,400	-	-	2,064,400
Due to other funds (Note 4)	-	-	16,889	16,889
Deferred revenue	134,471	-	-	134,471
Total Liabilities	4,750,339	-	64,976	4,815,315
Fund Balances:				
Reserved -				
Inventories and prepaid expenditures	115,854	-	74,850	190,704
Unreserved:				
General Fund	1,890,212	-	-	1,890,212
Special Revenue Funds	-	-	83,274	83,274
Debt Retirement Fund	-	-	606,473	606,473
Capital Projects Fund	-	3,166,680	1,692,383	4,859,063
Total Fund Balances	2,006,066	3,166,680	2,456,980	7,629,726
Total Liabilities and Fund Balances	\$6,756,405	\$ 3,166,680	\$ 2,521,956	\$ 12,445,041

See accompanying notes to financial statements.

Comstock Public Schools

Governmental Funds

Reconciliation of Fund Balances of Governmental Funds to Net Assets of Governmental Activities on the Statement of Net Assets

June 30, 2008

Total Fund Balances - Total Governmental Funds (from Page 20) **\$ 7,629,726**

Amounts reported for governmental activities in the Statement of Net Assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

These assets consist of:

Capital assets, at cost	\$20,258,335
Accumulated depreciation	<u>(10,712,797)</u>

Net capital assets **9,545,538**

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Balances are as follows:

Bonds and notes payable	(15,001,451)
Capital appreciation bonds - accrued interest	(5,448,985)
Bond premiums	(30,128)
Accrued interest on bonds and notes	<u>(71,671)</u>

Total long-term liabilities **(20,552,235)**

Net Deficit of Governmental Activities **\$ (3,376,971)**

See accompanying notes to financial statements.

Comstock Public Schools

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances

<i>Year ended June 30, 2008</i>	<i>General Fund</i>	<i>2008 LTD - 2006 Capital Projects Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Revenues:				
Local sources:				
Property taxes	\$ 5,585,570	\$ -	\$ 2,368,797	\$ 7,954,367
Other local	399,175	7,050	491,539	897,764
Intermediate sources	1,407,529	-	-	1,407,529
State sources	14,166,465	-	-	14,166,465
Federal sources	948,348	-	550,702	1,499,050
Total Revenues	22,507,087	7,050	3,411,038	25,925,175
Expenditures:				
Instruction	12,866,544	-	-	12,866,544
Support services	8,803,507	-	-	8,803,507
Community services	87,349	-	-	87,349
Food service activities	-	-	792,743	792,743
Athletics activities	-	-	499,784	499,784
Capital project activities	-	28,429	2,167,921	2,196,350
Debt retirement:				
Redemption of principal	111,863	-	2,475,000	2,586,863
Interest and fiscal charges	6,028	-	400,114	406,142
Total Expenditures	21,875,291	28,429	6,335,562	28,239,282
Excess (Deficiency) of Revenues Over Expenditures	631,796	(21,379)	(2,924,524)	(2,314,107)

See accompanying notes to financial statements.

Comstock Public Schools

Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances (Concluded)

<i>Year ended June 30, 2008</i>	<i>General Fund</i>	<i>2008 LTD - 2006 Capital Projects Fund</i>	<i>Other Governmental Funds</i>	<i>Total Governmental Funds</i>
Other Financing Sources (Use):				
Issuance of capital projects bonds \$	-	\$ 3,892,441	\$ 1,407,559	\$ 5,300,000
Premium on bonds	-	23,089	8,349	31,438
Transfers in	50,000	-	3,436,221	3,486,221
Transfers out	(767,556)	(727,471)	(1,991,194)	(3,486,221)
Total Other Financing Sources (Use)	(717,556)	3,188,059	2,860,935	5,331,438
Changes in Fund Balances	(85,760)	3,166,680	(63,589)	3,017,331
Fund Balances, beginning of year	2,091,826	-	2,520,569	4,612,395
Fund Balances, end of year	\$ 2,006,066	\$ 3,166,680	\$ 2,456,980	\$ 7,629,726

See accompanying notes to financial statements.

Comstock Public Schools

Governmental Funds

Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to Statement of Activities

Year ended June 30, 2008

Net Change in Fund Balances -		\$ 3,017,331
Total Governmental Funds (from Page 23)		
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.		
Loss on disposal of assets	\$ (14,882)	
Depreciation expense	(680,114)	
Purchase of capital assets	<u>1,961,615</u>	
Net effect of capital asset activity		1,266,619
Issuance of bond and note obligations provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets		
Repayment of bond and note principal is an expenditure in Governmental Funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		
Principal payments	2,586,863	
Issuance of bonds	(5,300,000)	
Bond premiums	(30,128)	
Accrued capital appreciation bond interest	<u>(525,973)</u>	
Net effect of debt issuance and repayment		(3,269,238)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in Governmental Funds.		
Accrued interest	<u>(10,302)</u>	
Net effect of accrued interest		(10,302)
Change in Net Assets of Governmental Activities		\$ 1,004,410

See accompanying notes to financial statements.

Comstock Public Schools

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund

<i>Year ended June 30, 2008</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Revenues:				
Property taxes	\$ 5,575,730	\$ 5,548,436	\$ 5,585,570	\$ 37,134
Other local sources	277,130	362,698	399,175	36,477
Intermediate sources	1,171,432	1,386,613	1,407,529	20,916
State sources	14,201,804	14,112,883	14,166,465	53,582
Federal sources	1,298,087	1,065,576	948,348	(117,228)
Total Revenues	22,524,183	22,476,206	22,507,087	30,881
Expenditures:				
Instruction:				
Regular	10,235,557	9,958,269	9,851,701	106,568
Special education	2,245,282	2,063,441	2,054,640	8,801
Vocational education	262,411	283,119	271,977	11,142
Compensatory Education	615,624	599,489	518,728	80,761
Adult Education	185,486	194,036	169,498	24,538
Total instruction	13,544,360	13,098,354	12,866,544	231,810
Support services:				
Student services	1,369,515	1,219,119	1,292,206	(73,087)
Instructional staff	1,170,695	886,518	826,343	60,175
General administrative	1,067,142	1,010,159	957,083	53,076
School administration	1,336,554	1,399,571	1,363,966	35,605
Business office	386,475	464,560	431,106	33,454
Operations and maintenance	2,217,953	2,282,835	2,210,156	72,679
Student transportation	1,239,610	1,429,239	1,370,414	58,825
Other support services	357,014	364,642	352,233	12,409
Total support services	9,144,958	9,056,643	8,803,507	253,136

See accompanying notes to financial statements.

Comstock Public Schools

Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund (Concluded)

<i>Year ended June 30, 2008</i>	<i>Original Budget</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Expenditures (Concluded):				
Community services	\$ 35,600	\$ 93,389	\$ 87,349	\$ 6,040
Debt service - Principal and interest	124,091	120,180	117,891	2,289
Total Expenditures	22,849,009	22,368,566	21,875,291	493,275
Other Financing Sources (Use):				
Transfers in	50,000	50,000	50,000	-
Transfers out	(760,906)	(794,288)	(767,556)	26,732
Total Other Financing Use	(710,906)	(744,288)	(717,556)	26,732
Changes in Fund Balance	(1,035,732)	(636,648)	(85,760)	550,888
Fund Balance, beginning of year	2,091,826	2,091,826	2,091,826	-
Fund Balance, end of year	\$ 1,056,094	\$ 1,455,178	\$ 2,006,066	\$ 550,888

See accompanying notes to financial statements.

Comstock Public Schools

Statement of Fiduciary Net Assets Fiduciary Fund

<i>June 30, 2008</i>	<i>Agency Fund</i>
Assets -	
Cash (Note 3)	\$ 258,887
Liabilities -	
Due to student groups	\$ 258,887

See accompanying notes to financial statements.

Comstock Public Schools

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The basic financial statements of Comstock Public Schools (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The District's significant accounting policies are described below.

Reporting Entity

The District is an independent entity with an elected board of education. The board consists of seven members elected to four-year terms. The board has responsibility and control over all matters affecting the District, including authority to levy taxes and determine its budget, the power to designate management and primary accountability for fiscal matters. The basic financial statements of the District contain all funds and account groups for which the District is financially accountable.

The criteria established by the GASB for determining the various governmental organizations to be included in the reporting entity's financial statements include oversight responsibility, scope of public service, and special financing relationships. On this basis, there are no other entities that are included in this report.

The Comstock Public Schools Foundation (the Foundation) was incorporated in 1982 as a not-for-profit corporation for the purpose of supplementing and enriching the educational programs of the Comstock Public School District. The officers of the Foundation include certain board trustees and district officials. Although the District does not control the timing or amount of receipts from the Foundation, the majority of resources or income thereon that the Foundation holds and invests are restricted to the activities of the District by the donors. Because these restricted resources held by the Foundation can only be used by, or for the benefit of the District, the Foundation meets the criteria to be a component unit of the District. However, because the economic resources received or held by the Foundation that the District is entitled to, or has the ability to otherwise access are not significant, the Foundation's assets and fund balance have been excluded from the District's financial statements.

Comstock Public Schools

Notes to Financial Statements (Continued)

Basis of Presentation

District-wide financial statements: The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. The effect of interfund activity has been removed from these statements. The District-wide financial statements categorize activities as either governmental or business-type. All of the District's activities are classified as governmental.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include 1) charges to recipients who purchase, use, or directly benefit from goods, services or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function. Property taxes, state aid foundation, and certain other items are reported as general revenues.

Fund financial statements: The fund financial statements provide information about the District's funds. Separate financial statements are provided for Governmental Funds and Fiduciary Funds, even though the latter are excluded from the District-wide financial statements. Major individual governmental funds are reported in separate columns in the fund financial statements.

The financial transactions of the District are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures.

Governmental Funds

Governmental Funds are used to account for the District's general activity. The focus is on determination of the financial position and changes in financial position rather than on income determination. The following is a description of the Governmental Funds of the District:

General Fund is the general operating fund of the District. It is used to account for all financial resources except those required to be accounted for in another fund. It is considered a major fund.

Comstock Public Schools

Notes to Financial Statements (Continued)

Special Revenue Funds are used to account for revenue sources that are restricted to expenditures for specified purposes. The District operates three special revenue funds: Food Service, High School Athletics, and Middle School Athletics.

Debt Retirement Funds are used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest.

Capital Projects Funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities.

The 2008 LTD – 2006 Capital Projects fund is considered a major fund.

Fiduciary Fund

The *Agency Fund* is used to account for assets held by the District in a trustee capacity for individuals or school-related organizations. The Agency Fund is custodial in nature and does not involve measurement of results of operations. The District operates one agency fund, which is the Student Activity Fund.

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured and basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

District-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Comstock Public Schools

Notes to Financial Statements (Continued)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available if they are collected within the current period or soon enough after to pay liabilities for the current period. The District considers revenues available if collected within 60 days after year-end for property taxes, state aid, and interest, and 90 days after year-end for entitlement funds and grants.

Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures as well as expenditures related to compensated absences and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt are reported as other financing sources.

State Foundation Revenue

The state of Michigan provides funds through a foundation grant approach, which provides for a specific annual amount of revenue per student based on statewide formula. The foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. For the year ended June 30, 2008, the foundation allowance was based on the average of pupil membership counts taken in February and September 2007.

The state portion of the foundation is provided primarily by a state education property tax mileage of six mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes, which may be levied at a rate of up to 18 mills.

State Categorical Revenue

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be expended for its specific purpose. Categorical funds received, which are not expended by the close of the fiscal year, are recorded as deferred revenue.

Comstock Public Schools

Notes to Financial Statements (Continued)

Federal Revenue

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Budgets and Budgetary Accounting

The budgetary data reflected in the financial statements is established by the District using the procedures outlined below:

Prior to March 15, the various principals, directors and supervisors review operating budget by program or building for the fiscal year commencing the following July 1, and submit them to the business manager.

This information is used to develop a budget and resolution for the General Fund, Special Revenue Funds, and Debt Retirement Fund. This includes proposed expenditures and the means of financing them, and is compiled on a basis consistent with generally accepted accounting principles.

In June, the budget resolution is subjected to a public hearing before the full board of education and is adopted after this hearing and before July 1, the first day of the budgeted fiscal year. All appropriations lapse at the end of the fiscal year, with the exception of certain curricular instructional and grant appropriations as designated by administration and previously approved by the board of education.

Various administrators are authorized to transfer budgeted amounts within their departmental budget; however, any revisions that alter the total expenditures of a fund, the legal level of budgetary control, must be approved by the board of education. The final budget reflects all revisions approved by the board of education during the year.

The budget is integrated with the accounting system of the District and is used as a management control device during the year.

Investments

Investments are recorded at fair value.

Comstock Public Schools

Notes to Financial Statements (Continued)

Inventories

Inventories are stated at cost except USDA donated commodities, which are recorded at fair market value. Inventories consist primarily of food, cafeteria supplies, teaching and maintenance supplies. Governmental Fund inventories are reported as assets until consumed, at which time an expenditure is recorded.

Capital Assets

Capital assets, which include property, buildings, and equipment, are reported in the District-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$10,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated fixed assets are stated at their market value as of the donation date.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets useful lives are not capitalized. Major outlays for capital assets are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets are included as part of the capitalized value.

Depreciation is provided for on the straight-line basis over the estimated useful lives of the assets as follows:

Buildings and improvements	50 Years
Furniture and equipment	5 - 15 Years
Buses	10 - 15 Years

Compensated Absences

The District's sick pay policy allows for accumulation of up to a certain number of days depending on the group involved. Upon termination of employment, all accumulated sick days are forfeited. It is the District's policy to recognize the cost of sick leave at the time payments are made. The District's vacation policy does not permit vacation days earned during the year to be carried forward.

Long-Term Obligations

In the District-wide financial statements, long-term debt and other long-term obligations are reported as liabilities.

Comstock Public Schools

Notes to Financial Statements (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts as well as issuance costs during the current period. The face amount of debt is reported as other financing sources. Premiums and discounts are reported as other financing sources (uses) while issuance costs are reported as expenditures.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net assets are reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

Property Taxes

Properties are assessed as of December 31, and approximately one-half of the related property taxes are levied and become a lien on July 1. The remaining taxes are levied and become a lien on December 1. These taxes are due on September 14 and February 14, respectively, with the final collection date of February 28, before they are added to the county delinquent tax rolls. The counties then remit to the District any delinquent real property taxes by June 30.

Interfund Activity

Outstanding balances between funds are reported as due from/to other funds at year-end.

Use of Estimates

The preparation of financial statements requires estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Comstock Public Schools

Notes to Financial Statements (Continued)

2. Stewardship, Compliance, and Accountability

The deficit in the High School Athletics Fund will be recovered through additional transfers from the General Fund.

3. Cash and Investments

At June 30, 2008, the District had the following investments:

<i>Investment Type</i>	<i>Fair Value</i>
Municipal Investment Fund, with no maturity	\$ 1,696,268
Maxsaver Plus, with no maturity	1,726,296
Michigan Liquid Asset Fund, with no maturity	965,980
Public Funds Total Now	4,477,018
Total Fair Value	\$ 8,865,562

Interest rate risk. In accordance with its investment policy, the District will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates; by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

Credit risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). As of June 30, 2008, the District's investments in the Michigan Liquid Asset Fund, Municipal Investment, and Maxsaver Plus were rated AAA by Standard & Poor's. The District's investments in the Public Funds Total Now were not rated.

Concentration of credit risk. The District will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Comstock Public Schools

Notes to Financial Statements (Continued)

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2008, \$698,573 of the District's bank balance of \$798,573 including fiduciary funds was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial credit risk – investments. For an investment, this is the risk that in the event of failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At June 30, 2008, the District had no investments that were subject to custodial credit risk.

The District minimizes custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer by limiting investments to the types of securities allowed by law and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments that have this type of risk.

4. Interfund Transactions

Interfund receivables and payables at June 30, 2008, are as follows:

	<i>Interfund Receivable</i>	<i>Interfund Payable</i>
General Fund	\$ 1,589	\$ -
Nonmajor Governmental Funds	15,300	16,889
	<u>\$ 16,889</u>	<u>\$ 16,889</u>

Interfund transfers as of June 30, 2008, were as follows:

	<i>Transfer In</i>	<i>Transfer Out</i>
General Fund	\$ 50,000	\$ 767,556
2008 LTD - 2006 Capital Projects Fund	-	727,471
Nonmajor Governmental Funds	3,436,221	1,991,194
	<u>\$ 3,486,221</u>	<u>\$ 3,486,221</u>

Comstock Public Schools

Notes to Financial Statements (Continued)

5. Capital Assets

The following summarizes capital asset activity for the year ended June 30, 2008:

	<i>Balance, July 1, 2007</i>	<i>Additions</i>	<i>Deletions</i>	<i>Balance, June 30, 2008</i>
Governmental Activities:				
Capital assets not being depreciated -				
Construction-in-progress	\$ 170,829	\$ 144,307	\$ 170,829	\$ 144,307
Capital assets being depreciated:				
Buildings and improvements	13,437,133	1,666,951	-	15,104,084
Equipment	2,592,489	25,277	17,205	2,600,561
Buses	2,113,474	295,909	-	2,409,383
Totals at historical cost	18,313,925	2,132,444	188,034	20,258,335
Less accumulated depreciation for:				
Buildings and improvements	6,775,733	223,372	-	6,999,105
Equipment	1,956,647	149,386	2,323	2,103,710
Buses	1,302,626	307,356	-	1,609,982
Total accumulated depreciation	10,035,006	680,114	2,323	10,712,797
Net Capital Assets	\$ 8,278,919	\$ 1,452,330	\$ 185,711	\$ 9,545,538

Depreciation for the year ended June 30, 2008, was \$680,114. The District determined it was impractical to allocate depreciation to various governmental activities as the assets serve multiple functions.

6. Note Payable

In August 2007, the District borrowed \$2,000,000 at 3.68% interest through issuance of a state aid note, due August 2008. The principal plus interest was paid in August 2008.

Comstock Public Schools

Notes to Financial Statements (Continued)

7. Long-Term Obligations

The following is a summary of changes in long-term obligations for the District for the year ended June 30, 2008:

	<i>Balance, July 1, 2007</i>	<i>Additions</i>	<i>Deductions</i>	<i>Balance, June 30, 2008</i>	<i>Due Within One Year</i>
Bonds payable	\$11,051,394	\$ 5,300,000	\$ 1,475,000	\$14,876,394	\$ 3,155,000
Tax anticipation note payable	1,000,000	-	1,000,000	-	-
Accrued interest on capital appreciation bonds	4,923,012	525,973	-	5,448,985	-
Installment purchase contracts	236,920	-	111,863	125,057	69,552
	<u>\$17,211,326</u>	<u>\$ 5,825,973</u>	<u>\$ 2,586,863</u>	<u>\$20,450,436</u>	<u>\$ 3,224,552</u>

Bonds payable at June 30, 2008, are comprised of the following individual issues:

1992 capital appreciation bonds due in annual installments of \$248,470 to \$518,310 starting in May 2011 through May 2017; interest at 6.35% to 6.65%	\$ 3,081,394
1998 general obligation unlimited tax refunding bonds due in annual installments of \$1,235,000 to \$1,465,000 through May 2010; interest at 4.10% to 4.20%	2,820,000
1999 limited bond capital projects due in annual installments of \$60,000 through May 2009; interest at 5.10% to 5.15%	60,000
2005 general obligation limited tax bonds due in annual installments of \$125,000 to \$250,000 through May 2016; interest at 3.80%	1,700,000
2006 general obligation limited tax bonds due in annual installments of \$55,000 to \$280,000 starting May 2007 through May 2021; interest at 4.95%	1,915,000
2008 general obligation limited tax bonds due in annual installments of \$1,080,000 to \$1,660,000 starting November 2008 through May 2012; interest at 3.00% to 3.50%	5,300,000
	<u>\$14,876,394</u>

Comstock Public Schools

Notes to Financial Statements (Continued)

The 1992 bond issue consists of capital appreciation bonds. The bonds, upon which no interest is paid until maturity, appreciate in value over time to \$12,405,000. Starting May 1, 2011, the bonds mature annually through 2017. Interest accrues on these bonds semi-annually in November and May, even though the interest is not paid until maturity.

Debt Service Requirements

The annual requirements to service the bonds and notes outstanding to maturity including both principal and interest are as follows:

Bonds:

<i>Year ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 3,155,000	\$ 421,394	\$ 3,576,394
2010	3,390,000	306,070	3,696,070
2011	1,709,844	1,183,668	2,893,512
2012	1,878,309	1,470,306	3,348,615
2013	795,522	1,527,806	2,323,328
2014-2018	3,112,719	5,998,470	9,111,189
2019-2021	835,000	82,912	917,912
	\$ 14,876,394	\$ 10,990,626	\$ 25,867,020

Installment Purchase Contracts:

<i>Year ending June 30,</i>	<i>Principal</i>	<i>Interest</i>	<i>Total</i>
2009	\$ 69,552	\$ 3,043	\$ 72,595
2010	55,505	1,176	56,681
	\$ 125,057	\$ 4,219	\$ 129,276

Comstock Public Schools

Notes to Financial Statements (Continued)

8. Employee Retirement System – Defined Benefit Plan

Plan Description

The District contributed to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing, multiple-employer defined benefit pension plan administered by the nine-member board of the MPERS. The MPERS provides retirement benefits and postretirement benefits for health, dental and vision.

The MPERS was established by Public Act 136, 1945 and currently operates under the provision of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by contacting the Michigan Public Schools Employees' Retirement System, P.O. Box 30026, Lansing, Michigan 48909.

Funding Policy

Basic plan members make no contributions. Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990, contribute a permanently fixed rate of 3.9% of gross wages. Members first hired January 1, 1990, or later and returning members who did not work between January 1, 1987, and December 31, 1989, contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. The rates for the year ended June 30, 2008, were 17.74% from July 1, 2007, through September 30, 2007, and 16.72% from October 1, 2007, through June 30, 2008. The contribution requirements of plan members and the District are established and may be amended by the MPERS Board of Trustees. The District's contributions to MPERS for the current and two preceding years were as follows:

<i>Year ended June 30,</i>	<i>Employer Contribution</i>
2008	\$ 2,185,224
2007	\$ 2,012,854
2006	\$ 2,107,810

Comstock Public Schools

Notes to Financial Statements (Concluded)

Other Post Employment Benefits

Retirees have the option of health, dental, and vision coverage, which is funded on a cash basis by the employers. A significant portion of the premium is paid by MPSERS with the balance deducted from the monthly pension.

9. Risk Management and Benefits

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During July 1989, the District was unable to obtain general liability insurance at a cost it considered to be economically justifiable. In July 1989, the District joined other districts to form MASB-SEG Property/Casualty Pool, Inc., a public entity risk pool currently operating as a common risk management and insurance program. The District pays an annual premium to the pool for its general insurance coverage. The agreement for formation of the MASB-SEG Property/Casualty Pool, Inc., provides that the pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 for each insured event.

The District also participates in a workers' compensation pool, the SEG Self Insurers Workers' Compensation Fund.

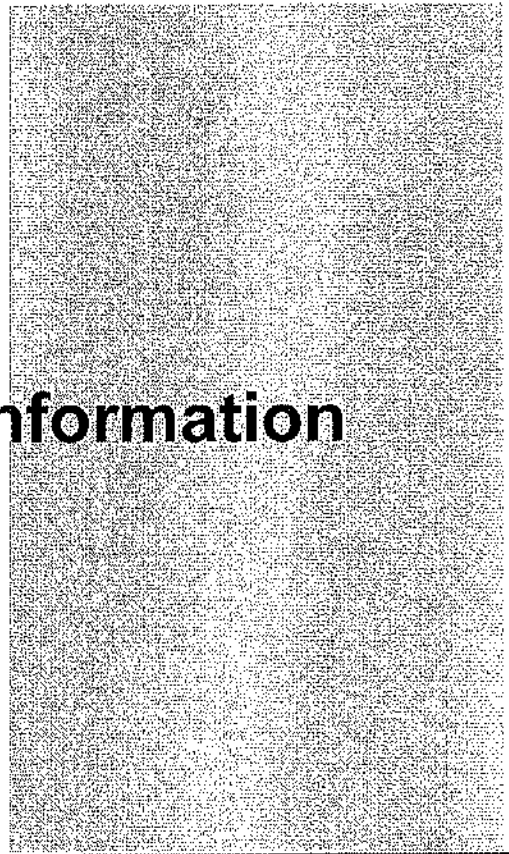
The pooling agreement requires the pool to be self-sustaining. It is not possible to estimate the amount of such losses. The MASB-SEG has published its own financial report for the year ended June 30, 2008, which can be obtained from the Controller, MASB-SEG, 415 West Kalamazoo, Lansing, Michigan 48933.

On July 1, 2006, the District joined the West Michigan Health Insurance Pool to provide health benefits to approximately 32 non-represented, secretarial, and administrative employees. The West Michigan Health Insurance Pool is a self-insurance program with 27 districts pooling together to insure various groups of employees for health insurance coverage, of which hospitalization is a component, and a prescription drug coverage. The pool pays the first \$75,000 of claims for each participant. These claims are paid out of a loss fund collected from the member districts. Excess insurance has been purchased to cover individual and aggregate claims.

10. Bond Compliance

The Capital Projects Funds include activities funded by bonds that were issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of Section 1351a of the Revised School Code.

Supplementary Information



Comstock Public Schools

Schedule of Revenues and Other Financing Source Budget and Actual – General Fund

<i>Year ended June 30, 2008</i>	<i>Final Budget</i>	<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
Local Sources:			
Property tax, other taxes, and interest	\$ 5,548,436	\$ 5,585,570	\$ 37,134
Tuition	3,664	4,292	628
Investment income	143,758	151,675	7,917
Other	215,276	243,208	27,932
Total Local Sources	5,911,134	5,984,745	73,611
State Sources:			
Unrestricted grants	13,004,045	13,023,065	19,020
Restricted grants	1,108,838	1,143,400	34,562
Total State Sources	14,112,883	14,166,465	53,582
Federal Sources - Restricted	1,065,576	948,348	(117,228)
Intermediate Sources	1,386,613	1,407,529	20,916
Other Financing Source -			
Transfer in	50,000	50,000	-
Total Revenues and Other Financing Source	\$ 22,526,206	\$ 22,557,087	\$ 30,881

<i>Year ended June 30, 2008</i>	<i>Salaries</i>	<i>Employee Benefits</i>	<i>Purchased Services</i>
Instruction:			
Basic programs:			
Elementary	\$ 2,601,094	\$ 1,258,508	\$ 54,828
Junior high	1,466,468	714,392	32,172
High school	2,164,235	1,051,990	48,244
Preschool	129,983	48,225	5,196
Total basic programs	6,361,779	3,073,115	140,441
Added needs:			
Special education	1,385,828	638,175	25,342
Compensatory education	367,401	134,513	7,042
Vocational education	173,501	73,564	1,889
Total added needs	1,926,730	846,253	34,273
Adult Education	90,169	39,602	35,418
Total Instruction	8,378,678	3,958,970	210,132
Support Services:			
Pupil:			
Attendance	15,197	609	-
Guidance	339,227	261,800	17,348
Psychological	54,694	5,707	4,700
Speech	133,930	55,014	669
Social work	208,465	29,243	3,684
Consulting	122,406	26,768	1,638
Other	5,155	1,263	860
Total pupil	879,075	380,404	28,900
Instructional staff:			
Improvement of instruction	8,785	1,609	161,788
Library	99,687	58,449	68,558
Supervision and direction	237,230	114,826	15,316
Total instructional staff	345,703	174,883	245,661

Comstock Public Schools

Schedule of Expenditures and Other Financing Use Budget and Actual – General Fund

<i>Supplies, Materials, and Other Expenses</i>	<i>Capital Outlay</i>	<i>Total Actual Expenditures</i>	<i>Final Budget</i>	<i>Variance with Final Budget Positive (Negative)</i>
\$ 69,832	\$ -	\$ 3,984,262	\$ 3,996,093	\$ 11,831
22,150	-	2,235,181	2,242,778	7,597
169,819	4,542	3,438,831	3,465,937	27,106
10,023	-	193,427	253,461	60,034
271,824	4,542	9,851,701	9,958,269	106,568
5,295	-	2,054,640	2,063,441	8,801
9,772	-	518,728	599,489	80,761
13,933	9,090	271,977	283,119	11,142
29,000	9,090	2,845,345	2,946,049	100,704
4,309	-	169,498	194,036	24,538
305,132	13,632	12,866,544	13,098,354	231,810
-	-	15,806	14,919	(887)
-	-	618,375	589,325	(29,050)
548	-	65,650	74,687	9,037
-	-	189,612	190,380	768
-	-	241,393	182,341	(59,052)
669	-	151,482	157,467	5,985
2,610	-	9,888	10,000	112
3,828	-	1,292,206	1,219,119	(73,087)
16,446	-	188,628	220,244	31,616
33,200	-	259,893	265,143	5,250
10,450	-	377,821	401,131	23,310
60,096	-	826,343	886,518	60,175

<i>Year ended June 30, 2008</i>	<i>Salaries</i>	<i>Employee Benefits</i>	<i>Purchased Services</i>
Support Services (Concluded):			
General administration	\$ 532,772	\$ 274,500	\$ 122,495
School administration	860,101	469,373	19,807
Business:			
Fiscal	-	-	750
Internal services	-	71,556	140,137
Total business	-	71,556	140,887
Operation and maintenance	781,014	432,515	304,521
Pupil transportation	791,296	260,052	62,841
Central - Other	166,987	72,140	58,691
Total Support Services	4,356,947	2,135,424	983,803
Community Services	41,930	9,015	3,993
Payments on Loans	-	-	-
Other Financing Use - Transfers	-	-	-
Total Expenditures and Other Financing Use	\$ 12,777,555	\$ 6,103,409	\$ 1,197,927

Comstock Public Schools

Schedule of Expenditures and Other Financing Use Budget and Actual – General Fund (Concluded)

<i>Supplies, Materials, and Other Expenses</i>	<i>Capital Outlay</i>	<i>Total Actual Expenditures</i>	<i>Final Budget</i>	<i>Variance with Final Budget Positive (Negative)</i>
\$ 27,316	\$ -	\$ 957,083	\$ 1,010,159	\$ 53,076
14,685	-	1,363,966	1,399,571	35,605
7,251	-	8,001	53,906	45,905
211,412	-	423,105	410,654	(12,451)
218,663	-	431,106	464,560	33,454
692,106	-	2,210,156	2,282,835	72,679
256,225	-	1,370,414	1,429,239	58,825
52,415	2,000	352,233	364,642	12,409
1,325,333	2,000	8,803,507	9,056,643	253,136
22,368	10,043	87,349	93,389	6,040
117,891	-	117,891	120,180	2,289
767,556	-	767,556	794,288	26,732
\$ 2,538,281	\$ 25,675	\$ 22,642,847	\$ 23,162,854	\$ 520,008

<i>June 30, 2008</i>	<i>Special Revenue</i>		
	<i>Food Service</i>	<i>High School Athletics</i>	<i>NEMS Athletics</i>
Assets:			
Cash	\$ 84,323	\$ -	\$ 46,639
Investments	-	-	-
Accounts receivable	438	50	-
Due from other funds	-	15,300	-
Inventories	28,130	-	-
Prepaid expenditures	46,712	8	-
Total Assets	\$ 159,603	\$ 15,358	\$ 46,639

Liabilities and Fund Balances

Liabilities:			
Checks issued against future deposits	\$ -	\$ 15,348	\$ -
Accounts payable	31,652	967	120
Due to other funds	89	-	15,300
Total Liabilities	31,741	16,315	15,420
Fund Balances (Deficit):			
Reserved for inventories and prepaid expenditures	74,842	8	-
Unreserved	53,020	(965)	31,219
Total Fund Balances (Deficit)	127,862	(957)	31,219
Total Liabilities and Fund Balances (Deficit)	\$ 159,603	\$ 15,358	\$ 46,639

Comstock Public Schools

Combining Balance Sheet Nonmajor Governmental Funds

<i>Debt Retirement</i>				
<i>Common Debt</i>	<i>1999 Limited Building and Site</i>	<i>2005 Limited Building and Site</i>	<i>2006 Limited Building and Site</i>	<i>2007 Tax Anticipation Debt</i>
\$ 57,019	\$ 500	\$ 500	\$ 500	\$ -
548,840	-	-	-	-
614	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
\$ 606,473	\$ 500	\$ 500	\$ 500	\$ -
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	500	500	500	-
-	500	500	500	-
-	-	-	-	-
606,473	-	-	-	-
606,473	-	-	-	-
\$ 606,473	\$ 500	\$ 500	\$ 500	\$ -

<i>June 30, 2008</i>	<i>Capital Projects</i>		
	<i>2005 Capital Projects</i>	<i>2006 Capital Projects</i>	<i>2007 Tax Anticipation</i>
Assets:			
Cash	\$ -	\$ -	\$ 74,821
Investments	80,543	6,839	-
Accounts receivable	-	-	-
Due from other funds	-	-	-
Inventories	-	-	-
Prepaid expenditures	-	-	-
Total Assets	\$ 80,543	\$ 6,839	\$ 74,821
 Liabilities and Fund Balances			
Liabilities:			
Checks issued against future deposits	\$ -	\$ -	\$ -
Accounts payable	-	-	-
Due to other funds	-	-	-
Total Liabilities	-	-	-
Fund Balances (Deficit):			
Reserved for inventories and prepaid expenditures	-	-	-
Unreserved	80,543	6,839	74,821
Total Fund Balances (Deficit)	80,543	6,839	74,821
Total Liabilities and Fund Balances (Deficit)	\$ 80,543	\$ 6,839	\$ 74,821

Comstock Public Schools

Combining Balance Sheet Nonmajor Governmental Funds (Concluded)

<i>Capital Projects</i>		
<i>2008 Athletics Capital Projects</i>	<i>Bond Sinking Fund</i>	<i>Total</i>
\$ -	\$ 219,182	\$ 483,484
1,310,338	-	1,946,560
-	660	1,762
-	-	15,300
-	-	28,130
-	-	46,720
<u>\$ 1,310,338</u>	<u>\$ 219,842</u>	<u>\$ 2,521,956</u>
\$ -	\$ -	\$ 15,348
-	-	32,739
-	-	16,889
<u>-</u>	<u>-</u>	<u>64,976</u>
-	-	74,850
1,310,338	219,842	2,382,130
<u>1,310,338</u>	<u>219,842</u>	<u>2,456,980</u>
<u>\$ 1,310,338</u>	<u>\$ 219,842</u>	<u>\$ 2,521,956</u>

<i>Year ended June 30, 2008</i>	<i>Special Revenue</i>		
	<i>Food Service</i>	<i>High School Athletics</i>	<i>NEMS Athletics</i>
Revenues:			
Local sources - Other	\$ 284,465	\$ 106,499	\$ 13,671
Federal sources	550,702	-	-
Investment earnings	-	-	-
Total Revenues	835,167	106,499	13,671
Expenditures:			
Salaries	234,053	113,541	11,291
Employee benefits	55,470	49,998	2,798
Food and milk costs	256,507	-	-
Purchased services	233,482	193,748	3,545
Supplies, materials, and other	13,231	83,603	41,260
Redemption of principal	-	-	-
Interest and fiscal charges	-	-	-
Capital projects	-	-	-
Total Expenditures	792,743	440,890	58,894
Excess (Deficiency) of Revenues Over Expenditures	42,424	(334,391)	(45,223)
Other Financing Sources (Use):			
Issuance of capital projects bonds	-	-	-
Premium on bonds	-	-	-
Transfers in	8,000	304,344	41,697
Transfers out	(50,000)	-	-
Total Other Financing Sources (Use)	(42,000)	304,344	41,697
Changes in Fund Balances	424	(30,047)	(3,526)
Fund Balances (Deficit), beginning of	127,438	29,090	34,745
Fund Balances (Deficit), end of year	\$ 127,862	\$ (957)	\$ 31,219

Comstock Public Schools

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds



<i>Debt Retirement</i>				
<i>Common Debt</i>	<i>1999 Limited Building & Site Debt</i>	<i>2005 Limited Building & Site Debt</i>	<i>2006 Limited Building & Site Debt</i>	<i>2007 Tax Anticipation Debt</i>
\$ 1,132,259	\$ -	\$ -	\$ -	\$ 978,947
-	-	-	-	-
43,070	-	-	-	18,171
1,175,329	-	-	-	997,118
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
1,235,000	60,000	125,000	55,000	-
191,012	6,425	69,575	97,515	-
-	-	-	-	-
1,426,012	66,425	194,575	152,515	-
(250,683)	(66,425)	(194,575)	(152,515)	997,118
-	-	-	-	-
-	-	-	-	-
-	66,425	194,575	152,515	52,025
-	-	-	-	(1,049,143)
-	66,425	194,575	152,515	(997,118)
(250,683)	-	-	-	-
857,156	-	-	-	-
\$ 606,473	\$ -	\$ -	\$ -	\$ -

<i>Year ended June 30, 2008</i>	<i>Capital Projects</i>		
	<i>2005 Capital Projects</i>	<i>2006 Capital Projects</i>	<i>2007 Tax Anticipation</i>
Revenues:			
Local sources - Other	\$ -	\$ -	\$ -
Federal sources	-	-	-
Investment earnings	3,071	2,221	14,725
Total Revenues	3,071	2,221	14,725
Expenditures:			
Salaries	-	-	-
Employee benefits	-	-	-
Food and milk costs	-	-	-
Purchased services	-	-	-
Supplies, materials, and other	-	-	-
Redemption of principal	-	-	1,000,000
Interest and fiscal charges	-	-	35,587
Capital projects	108,679	448,299	-
Total Expenditures	108,679	448,299	1,035,587
Excess (Deficiency) of Revenues Over Expenditures	(105,608)	(446,078)	(1,020,862)
Other Financing Sources (Use):			
Issuance of capital projects bonds	-	-	-
Premium on bonds	-	-	-
Transfers in	-	-	1,035,587
Transfers out	-	-	(840,026)
Total Other Financing Sources (Use)	-	-	195,561
Changes in Fund Balance	(105,608)	(446,078)	(825,301)
Fund Balances (Deficit), beginning of year	186,151	452,917	900,122
Fund Balances (Deficit), end of year	\$ 80,543	\$ 6,839	\$ 74,821

Comstock Public Schools

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds (Concluded)

<i>Capital Projects</i>		
<i>2008 Athletics Capital Projects</i>	<i>Bond Sinking Fund</i>	<i>Total</i>
\$ -	\$ 257,591	\$ 2,773,432
-	-	550,702
2,726	2,920	86,904
2,726	260,511	3,411,038
-	-	358,885
-	-	108,266
-	-	256,507
-	-	430,775
-	-	138,094
-	-	2,475,000
-	-	400,114
108,296	1,502,647	2,167,921
108,296	1,502,647	6,335,562
(105,570)	(1,242,136)	(2,924,524)
1,407,559	-	1,407,559
8,349	-	8,349
-	1,581,053	3,436,221
-	(52,025)	(1,991,194)
1,415,908	1,529,028	2,860,935
1,310,338	286,892	(63,589)
-	(67,050)	2,520,569
\$ 1,310,338	\$ 219,842	\$ 2,456,980

Comstock Public Schools

Statement of Changes in Assets and Liabilities Agency Fund

<i>June 30, 2008</i>	<i>Beginning Balance</i>	<i>Additions</i>	<i>Deductions</i>	<i>Ending Balance</i>
Assets -				
Cash	\$ 206,863	\$ 359,553	\$ 307,529	<u>\$ 258,887</u>
Liabilities -				
Due to student groups	\$ 206,863	\$ 359,553	\$ 307,529	<u>\$ 258,887</u>

Comstock Public Schools

1992 General Obligation – Unlimited Tax Refunding Bonds Schedule of Debt Service Requirements

Year Ended June 30,	Bonds Due	Interest Rate (Percent)	Bond Principal			Interest Due		
			Issued	Redeemed	Outstanding June 30, 2008	November 1	May 1	
Refunded by a portion of 1998 bonds:								
2007	n/a	n/a	\$ -	\$ -	\$ -	\$ -	\$ -	
2008	n/a	n/a	-	-	-	-	-	
2009	n/a	n/a	-	-	-	-	-	
2010	n/a	n/a	-	-	-	-	-	
2011	5/1/2011	6.35	429,844	-	429,844	494,998	494,998	
2012	5/1/2012	6.60	518,309	-	518,309	660,845	660,845	
2013	5/1/2013	6.60	505,522	-	505,522	704,739	704,739	
2014	5/1/2014	6.60	491,049	-	491,049	746,975	746,975	
2015	5/1/2015	6.65	458,620	-	458,620	770,690	770,690	
2016	5/1/2016	6.65	429,580	-	429,580	785,210	785,210	
2017	5/1/2017	6.65	248,470	-	248,470	493,265	493,265	
Totals			\$ 3,081,394	\$ -	\$ 3,081,394	\$ 4,656,722	\$ 4,656,722	

Date of Issue:

December, 1992

Purpose:

Refunding a portion of 1990 bonds.

Redemption Prior to Maturity:

The bonds or portions of the bonds in multiples of \$5,000 maturing on or after May 1, 2001, are subject to redemption at the option of the District in such order as the District may determine and by lot within any maturity, on any interest payment date occurring on or after May 1, 2000, at the redemption prices expressed as percentages of par amount set forth in the following table, plus accrued interest to the date fixed for redemption:

Redemption Dates –

Capital Appreciation Bonds

Redemption Prices

May 1, 2002 through April 30, 2003
May 1, 2003 through April 30, 2004
May 1, 2004 and thereafter

102%
101%
100%

Comstock Public Schools

1998 General Obligation – Unlimited Tax Refunding Bonds Schedule of Debt Service Requirements

<i>Year Ended June 30,</i>	<i>Bonds Due</i>	<i>Interest Rate (Percent)</i>	<i>Bond Principal</i>		<i>Outstanding June 30, 2008</i>	<i>Interest Due</i>	
			<i>Issued</i>	<i>Redeemed</i>		<i>November 1</i>	<i>May 1</i>
2008	5/1/2008	4.10	\$ 1,235,000	\$ 1,235,000	\$ -	\$ 84,199	\$ 84,199
2009	5/1/2009	4.15	1,355,000	-	1,355,000	58,881	58,881
2010	5/1/2010	4.20	1,465,000	-	1,465,000	30,765	30,765
Totals			\$ 4,055,000	\$ 1,235,000	\$ 2,820,000	\$ 173,845	\$ 173,845

Date of Issue:

December, 1998

Purpose:

Refunding a portion of the 1990 School Building and Site Bonds and paying the costs of issuance of the bonds.

Redemption Prior to Maturity:

Not subject to redemption prior to maturity.

Comstock Public Schools

1999 Limited Bond Capital Projects Schedule of Debt Service Requirements

<i>Year Ended June 30,</i>	<i>Bonds Due</i>	<i>Interest Rate (Percent)</i>	<i>Bond Principal</i>			<i>Interest Due</i>	
			<i>Issued</i>	<i>Redeemed</i>	<i>Outstanding June 30, 2008</i>	<i>November 1</i>	<i>May 1</i>
2008	5/1/2008	5.10	\$ 60,000	\$ 60,000	\$ -	\$ 3,075	\$ 3,075
2009	5/1/2009	5.15	60,000	-	60,000	1,545	1,545
Totals			\$ 120,000	\$ 60,000	\$ 60,000	\$ 4,620	\$ 4,620

Date of Issue:

December, 1999

Purpose:

Defraying the cost of the improvements in the District.

Redemption Prior to Maturity:

Not subject to redemption prior to maturity.

Comstock Public Schools

2005 Limited Bond Capital Projects Schedule of Debt Service Requirements

<i>Year Ended June 30,</i>	<i>Bonds Due</i>	<i>Interest Rate (Percent)</i>	<i>Bond Principal</i>			<i>Interest Due</i>	
			<i>Issued</i>	<i>Redeemed</i>	<i>Outstanding June 30, 2008</i>	<i>November 1</i>	<i>May 1</i>
2008	5/1/2008	3.800	\$ 125,000	\$ 125,000	\$ -	\$ 34,675	\$ 34,675
2009	5/1/2009	3.800	135,000	-	135,000	32,300	32,300
2010	5/1/2010	3.800	200,000	-	200,000	29,735	29,735
2011	5/1/2011	3.800	205,000	-	205,000	25,935	25,935
2012	5/1/2012	3.800	215,000	-	215,000	22,040	22,040
2013	5/1/2013	3.800	225,000	-	225,000	17,955	17,955
2014	5/1/2014	3.800	230,000	-	230,000	13,680	13,680
2015	5/1/2015	3.800	240,000	-	240,000	9,310	9,310
2016	5/1/2016	3.800	250,000	-	250,000	4,750	4,750
Totals			\$ 1,825,000	\$ 125,000	\$ 1,700,000	\$ 190,380	\$ 190,380

Date of Issue:

September, 2005

Purpose:

2005 Capital Projects Fund - defraying the cost of the building and site improvements in the District.

Redemption Prior to Maturity:

The bonds or portions of the bonds maturing in the years 2006 to 2013, inclusive, shall not be subject to redemption prior to maturity. The bonds or portions of the bonds mature in the years 2014 to 2016, inclusive, shall be subject to redemption prior to maturity, at the option of the District, in such order that the District shall determine, on any date on or after May 1, 2013, set forth as follows, plus accrued interest to the date fixed for redemption.

Redemption Dates

May 1, 2013 and thereafter

Redemption Prices

100%

Comstock Public Schools

2006 General Obligation – Limited Tax and Site Bonds Schedule of Debt Service Requirements

<i>Year Ended June 30,</i>	<i>Bonds Due</i>	<i>Interest Rate (Percent)</i>	<i>Bond Principal</i>		<i>Outstanding June 30, 2008</i>	<i>Interest Due</i>	
			<i>Issued</i>	<i>Redeemed</i>		<i>November 1</i>	<i>May 1</i>
2008	5/1/2008	4.950	\$ 55,000	\$ 55,000	\$ -	\$ 48,758	\$ 48,758
2009	5/1/2009	4.950	55,000	-	55,000	47,396	47,396
2010	5/1/2010	4.950	65,000	-	65,000	46,035	46,035
2011	5/1/2011	4.950	65,000	-	65,000	44,426	44,426
2012	5/1/2012	4.950	65,000	-	65,000	42,818	42,818
2013	5/1/2013	4.950	65,000	-	65,000	41,209	41,209
2014	5/1/2014	4.950	70,000	-	70,000	39,600	39,600
2015	5/1/2015	4.950	70,000	-	70,000	37,868	37,868
2016	5/1/2016	4.950	75,000	-	75,000	36,135	36,135
2017	5/1/2017	4.950	275,000	-	275,000	34,279	34,279
2018	5/1/2018	4.950	275,000	-	275,000	27,473	27,473
2019	5/1/2019	4.950	275,000	-	275,000	20,666	20,666
2020	5/1/2020	4.950	280,000	-	280,000	13,860	13,860
2021	5/1/2021	4.950	280,000	-	280,000	6,930	6,930
Totals			\$ 1,970,000	\$ 55,000	\$ 1,915,000	\$ 487,453	\$ 487,453

Date of Issue:

May, 2006

Purpose:

2006 Capital Projects Fund - defraying the cost of the building and site improvements in the District.

Redemption Prior to Maturity:

The bonds or portions of the bonds maturing on or after May 1, 2007, are subject to redemption at the option of the District in such order as the District may determine, on any date on or after May 1, 2007, set forth as follows, plus accrued interest to the date fixed for redemption.

Redemption Dates

May 1, 2007 and thereafter

Redemption Prices

100%

Comstock Public Schools

2008 General Obligation – Limited Tax and Site Bonds Schedule of Debt Service Requirements

<i>Year Ended June 30,</i>	<i>Bonds Due</i>	<i>Interest Rate (Percent)</i>	<i>Bond Principal</i>		<i>Outstanding June 30, 2008</i>	<i>Interest Due</i>	
			<i>Issued</i>	<i>Redeemed</i>		<i>November 1</i>	<i>May 1</i>
2008	5/1/2008	3.000	\$ -	\$ -	\$ -	\$ 73,067	\$ -
2009	5/1/2009	3.000	1,550,000	-	1,550,000	58,950	82,200
2010	5/1/2010	3.000	1,660,000	-	1,660,000	34,050	58,950
2011	5/1/2011	3.000	1,010,000	-	1,010,000	18,900	34,050
2012	5/1/2012	3.000	1,080,000	-	1,080,000	-	18,900
Totals			\$ 5,300,000	\$ -	\$ 5,300,000	\$ 184,967	\$ 194,100

Date of Issue:

May, 2008

Purpose:

2008Capital Projects Fund - defraying the cost of the building and site improvements in the District.

Redemption Prior to Maturity:

Not subject to redemption prior to maturity.

Comstock Public Schools

**Additional Reports Required by
*OMB Circular A-133***

Year Ended June 30, 2008

Comstock Public Schools

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**Independent Auditors' Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance With *Government Auditing Standards***

Board of Education
Comstock Public Schools
Comstock, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Comstock Public Schools (District), as of and for the year ended June 30, 2008, which collectively comprise the District's financial statements and have issued our report thereon dated October 23, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.



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A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is interceded solely for the information and use of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

October 23, 2008



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Independent Auditors' Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With *OMB Circular A-133*

Board of Education
Comstock Public Schools
Comstock, Michigan

Compliance

We have audited the compliance of Comstock Public Schools (District) with the types of compliance requirements described in the U.S. Office of Management and Budget (*OMB Circular A-133 Compliance Supplement*) that are applicable to each of its major federal programs for the year ended June 30, 2008. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *OMB Circular A-133, Audits of States, Local Governments and Non-Profit Organizations*. Those standards and *OMB Circular A-133* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.



In our opinion, Comstock Public Schools complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency in the District's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Comstock Public Schools, as of and for the year ended June 30, 2008, and have issued our report thereon dated October 23, 2008. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements.



BDO Seidman, LLP
Accountants and Consultants

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *OMB Circular A-133* and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of education, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

BDO Seidman, LLP

Certified Public Accountants

October 23, 2008

<i>Federal Grantor/ Pass Through Grantor/ Program Title/ Grant Number</i>	<i>Federal CFDA Number</i>	<i>Approved Grant Award Amount</i>
U.S. Department of Education:		
<i>Passed-Through Michigan Department of Education:</i>		
E.C.I.A. Title I:		
061530-0607 Carryover 2005-06	84.010	\$ 43,311
071530-0607 Regular 2006-07	84.010	440,291
081530-0708 Regular 2007-08	84.010	531,824
		1,015,426
Title V LEA Allocation - 070250-0607	84.298	2,972
Title V LEA Allocation - 080250-0708	84.298	5,565
		8,537
Technology Literacy Challenge Grant - 064290-0607	84.318	2,694
Technology Literacy Challenge Grant - 074290-0607	84.318	4,520
Technology Literacy Challenge Grant - 084290-0708	84.318	4,450
		11,664
Comprehensive School Reform Demonstration Grant - 051870-0607	84.332	201,947
Comprehensive School Reform Demonstration Grant - 061870-0708	84.332	197,000
		398,947
Service Provider Self-Review Special Education Grants to States - 070440-0607	84.027 A	4,478
Improving Teacher Quality - 060520-0607	84.367	92,990
Improving Teacher Quality - 070520-0607	84.367	137,162
Improving Teacher Quality - 080520-0708	84.367	162,247
		392,399
Total Passed-Through Michigan Department of Education		1,831,451

Comstock Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

<i>(Memo Only)</i> <i>Prior</i> <i>Year</i> <i>Expenditures</i>	<i>Accrued</i> <i>Revenue</i> <i>July 1,</i> <i>2007</i>	<i>Current</i> <i>Year</i> <i>Expenditures</i>	<i>Current</i> <i>Year</i> <i>Receipts</i>	<i>Accrued</i> <i>Revenue</i> <i>June 30,</i> <i>2008</i>
\$ 43,311	\$ 10,211	\$ -	\$ 10,211	\$ -
381,929	91,929	-	91,929	-
-	-	440,246	344,822	95,424
425,240	102,140	440,246	446,962	95,424
826	176	-	176	-
-	-	4,555	900	3,655
826	176	4,555	1,076	3,655
2,694	40	-	40	-
4,520	2,503	-	2,503	-
-	-	59	57	2
7,214	2,543	59	2,600	2
57,355	57,355	-	57,355	-
160,084	31,954	24,284	56,238	-
217,439	89,309	24,284	113,593	-
505	28	-	28	-
92,990	990	-	990	-
113,197	47,197	-	47,197	-
-	-	147,080	129,721	17,359
206,187	48,187	147,080	177,908	17,359
857,411	242,383	616,224	742,167	116,440

See accompanying independent auditors' report and notes to Schedule of Expenditures of Federal Awards.

<i>Federal Grantor/ Pass Through Grantor/ Program Title/ Grant Number</i>	<i>Federal CFDA Number</i>	<i>Grant Award Amount</i>
U.S. Department of Education (Concluded):		
<i>Passed-Through Kalamazoo Regional Educational Service Agency:</i>		
IDEA - 080450-0708	84.027 A	\$ 273,683
Transition Grant - 070490-TS	84.027 A	15,000
Transition Grant - 080490-TS	84.027 A	10,000
		298,683
Vocational Education - Special Needs - Carl Perkins - 083520-8012-20	84.048 A	29,465
<i>Substance Abuse and Mental Health Services Administration:</i>		
1U795SM57047-01	93.104	6,000
1U795SM57047-01	93.104	6,000
		12,000
<i>Total Passed-Through Kalamazoo Regional Educational Service Agency</i>		340,148
<i>Passed-Through Calhoun County Intermediate School District -</i>		
<i>Drug Free Schools:</i>		
2006-07 Regular	84.186	8,769
2006-07 Carryover	84.186	3,074
2007-08 Regular	84.186	9,509
<i>Total Passed-Through Calhoun County Intermediate School District</i>		21,352
<i>Passed-Through Macomb Intermediate School District:</i>		
Michigan's Integrated Behavior and Learning Support Initiative 07/08 East	84.027 A	2,000
Michigan's Integrated Behavior and Learning Support Initiative 07/08 North	84.027 A	3,000
<i>Total Passed-Through Macomb Intermediate School District.</i>		5,000
<i>Passed-Through Michigan State University -</i>		
MSU - National Science Foundation	47.076	855
Total U.S. Department of Education		2,198,806

Comstock Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

<i>(Memo Only)</i> <i>Prior</i> <i>Year</i> <i>Expenditures</i>	<i>Accrued</i> <i>Revenue</i> <i>July 1,</i> <i>2007</i>	<i>Current</i> <i>Year</i> <i>Expenditures</i>	<i>Current</i> <i>Year</i> <i>Receipts</i>	<i>Accrued</i> <i>Revenue</i> <i>June 30,</i> <i>2008</i>
\$ -	\$ -	\$ 273,683	\$ 273,683	\$ -
15,000	15,000	-	15,000	-
-	-	9,888	-	9,888
15,000	15,000	283,571	288,683	9,888
-	-	29,465	29,465	-
3,436	2,406	-	2,406	-
-	-	2,883	2,883	-
3,436	2,406	2,883	5,289	-
18,436	17,406	315,919	323,437	9,888
4,072	934	-	934	-
-	-	3,074	3,074	-
-	-	6,763	6,763	-
4,072	934	9,837	10,771	-
-	-	1,000	1,000	-
-	-	4,513	4,513	-
-	-	5,513	5,513	-
-	-	855	855	-
879,919	260,723	948,348	1,082,743	126,328

See accompanying independent auditors' report and
notes to Schedule of Expenditures of Federal Awards.

<i>Federal Grantor/ Pass Through Grantor/ Program Title/ Grant Number</i>	<i>Federal CFDA Number</i>	<i>Grant Award Amount</i>
U.S. Department of Agriculture:		
<i>Passed-Through Michigan Department of Education:</i>		
Entitlement Commodities	10.550	\$ -
Bonus Commodities	10.550	-
		-
071970 Breakfast	10.553	29,262
081970 Breakfast	10.553	113,459
		142,721
071950 National School Lunch Section 4 All Lunches	10.555	12,322
081950 National School Lunch Section 4 All Lunches	10.555	44,291
071960 National School Lunch Program		
Section 11 Free and Reduced	10.555	80,583
081960 National School Lunch Program		
Section 11 Free and Reduced	10.555	296,821
		434,017
Total U.S. Department of Agriculture		576,738
Total Federal Awards		\$ 2,775,544

Comstock Public Schools

Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

<i>(Memo Only)</i> <i>Prior</i> <i>Year</i> <i>Expenditures</i>	<i>Accrued</i> <i>Revenue</i> <i>July 1,</i> <i>2007</i>	<i>Current</i> <i>Year</i> <i>Expenditures</i>	<i>Current</i> <i>Year</i> <i>Receipts</i>	<i>Accrued</i> <i>Revenue</i> <i>June 30,</i> <i>2008</i>
\$ 32,151	\$ -	\$ 43,428	\$ 43,428	\$ -
232	-	1,391	1,391	-
32,383	-	44,819	44,819	-
99,211	2,995	11,255	14,250	-
-	-	113,459	113,459	-
99,211	2,995	124,714	127,709	-
42,474	903	5,248	6,151	-
-	-	44,291	44,291	-
266,790	5,741	34,809	40,550	-
-	-	296,821	296,821	-
309,264	6,644	381,169	387,813	-
440,858	9,639	550,702	560,341	-
<u>\$ 1,320,777</u>	<u>\$ 270,362</u>	<u>\$ 1,499,050</u>	<u>\$ 1,643,084</u>	<u>\$ 126,328</u>

See accompanying independent auditors' report and notes to Schedule of Expenditures of Federal Awards.

Comstock Public Schools

Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2008

Note 1

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Comstock Public Schools and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2

Management has utilized the Grants Section Auditor's Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.

Inventory values are based on the USDA value for donated food commodities and include spoilage.

See accompanying independent auditors' report.

Comstock Public Schools

Summary of Auditors' Results and Schedule of Findings and Questioned Costs Year Ended June 30, 2008

Section I - Summary of Auditors' Results

Financial Statements

Type of auditor's report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Significant deficiencies identified that are not considered to be material weaknesses?	None Reported
Type of auditor's report issued on compliance for major programs:	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of <i>Circular A-133</i> ?	No

Identification of major programs:

<u>Name of Federal Program or Cluster</u>	<u>CFDA Numbers</u>
Title I	84.010

Dollar threshold used to distinguish between Type A and Type B programs:	\$300,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

There were no findings which are required to be reported under *Government Auditing Standards*.

Section III - Federal Award Findings and Questioned Costs

There were no findings or questioned costs.

Summary Schedule of Prior Year Findings

2007-1 Accrued Interest on Capital Appreciation Bonds

Condition

The District previously had not recorded accrued interest on its capital appreciation bonds.

Resolution

This finding has been resolved.